

Message Text

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ORIGIN NEA-13

INFO OCT-01 ISO-00 INRE-00 NSCE-00 SSO-00 USIE-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 SAM-01 AID-20 EB-11

CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 ABF-01 INT-08

COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 HEW-08

AGR-20 IGA-02 FBO-01 LOC-01 /190 R

DRAFTED BY NEA/INS:DBORN

APPROVED BY NEA/INS:LBLAINGEN

TREAS:DCHIODO (SUBS)

L/NEA:ATBROWN

AID/ASIA/SA:JCOLES (SUBS)

M/FRM/FM:RWHITENER (SUBS)

----- 073197

O 161905Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI IMMEDIATE

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E.O. 11652:N/A

TAGS: EFIN, IN

SUBJECT: RUPEES: DISBURSEMENTS AFTER RUPEE AGREEMENT

REF: (A) NEW DELHI 1750; (B) STATE 29837; (C) STATE 30540;
(D) NEW DELHI 2267

SUMMARY: WE CONCUR YOUR DISBURSING FUNDS AFTER THE ENTRY
INTO FORCE OF RUPEE AGREEMENT PER REFTELS (A) AND (D)
PROVIDED YOU INFORM GOI AID TO NEPAL IS TAKEN FROM RS
190 MILLION PORTION OF COOLEY ACCOUNT. END SUMMARY.

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1. WE CREATED SUB-ACCOUNT 20 FT 495 TO PERMIT COMPLIANCE

WITH PARAGRAPH 7 OF PART I OF AGREEMENT, TO WIT: THE TRANSFER BACK TO GOI OF ANY RUPEES WE DEEM NO LONGER REQUIRED. CLEARLY, WE MUST KEEP SEPARATE TRACK OF DRAWDOWNS AGAINST THE RUPEES 190 MILLION TO BE IN A POSITION CARRY AT THIS PROVISION. AS YOU AWARE, THIS DOES NOT CHANGE SINGLE COOLEY ACCOUNT OF RBI.

2. AID TO NEPAL MUST NOT, OF COURSE, JEOPARDIZE CONVERSIONS WE HAVE LEGAL RIGHT, AS WE INTERPERT AGREEMENT, TO DRAW AGAINST THE 190 MILLION FOR AID TO NEPAL (SEE BROWN JAN. 18 MEMO, COPY GIVEN GASSERUD). FURTHERMORE, AS WE ARGUED IN REF B, WE BELIEVE WE HAVE GENERAL RIGHT PROGRAM OUR FUNDS WITHIN OVERALL TOTALS OF 190 AND 186 MILLION, AS WE SEE FIT. NEVERTHELESS, THE POSSIBILITY REMAINS THAT GOI MAY TAKE DIFFERENT VIEW. WHILE ADMITTEDLY UNLIKELY, IT CONCEIVABLE THAT GOI WOULD TAKE POSITION THAT, BECAUSE AID TO NEPAL NOT ORIGINALLY CITED AS INTENDED USE OF 190 MILLION AND HENCE NOT QTE COMMITMENT OF PL-480 RUPEES BY USG PRIOR TO DATE OF THIS AGREEMENT END QTE, SUCH AID TO NEPAL IN SPRING 1974 COULD HAVE ONLY COME FROM COOLEY LOAN REFLows. 65 MILLION RUPEES FOR AID TO NEPAL WOULD, OF COURSE, BY THIS REASONING LEAVE VIRTUALLY NO PL-480 RUPEES FOR CONVERSIONS. GOI COULD FURTHER ARGUE THAT, GIVEN THAT COOLEY REFLows IN FEBRUARY 19 - JUNE 30 PERIOD WERE IN FACT SUFFICIENT TO MEET JULY 1, 1974 CONVERSATION, WE ARE NOT ENTITLED TO DRAW ON NON-PL-480 RUPEES TO REPLACE COOLEY REFLows WHICH WE DECIDED DEVOTE TO NEPAL.

3. AS WE READ AGREEMENT, GOI WOULD BE WITHIN ITS RIGHTS TO TO REFUSE TO MAKE FULL AMOUNT OF DOLLAR CONVERSION IF DURING PRECEDING PERIOD WE HAD RECEIVED ENOUGH COOLEY LOAN REFLows TO BUY 6.4 MILLION DOLLARS, BUT HAD SPENT THOSE RUPEES ON SOME OTHER PURPOSE, SUCH AS AID TO NEPAL. ACCORDINGLY, WE BELIEVE IT ESSENTIAL THAT YOU PUT THE GOI ON NOTICE THAT WE INTEND TO MAKE FIRST AID TO NEPAL DRAWDOWN OF RUPEES 65 MILLION FROM RS. 190 MILLION AND THAT WE INTEND TO DO SO BEFORE JULY 1, 1974.

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4. IN ANY CASE, WE DO NOT WANT TO MAKE ANY CONVERSIONS FROM NON-PL-480 RUPEES (SO LONG AS THERE SUFFICIENT ANNUAL COOLEY REFLows), BECAUSE TO DO SO RAISES SERIOUS PROBLEMS FOR USDA.

5. ONE FINAL POINT. IN REFTTEL A, PARA 5, YOU NOTE THE POSSIBILITY THAT COOLEY ACCOUNT PL-480 RUPEES MIGHT PROVE TO BE INADEQUATE FOR SPECIAL PROGRAMS (INCLUDING

JOINT RESEARCH). YOU SHOULD BE AWARE THAT PROGRAMS
FUNDED FROM APPROPRIATIONS BY CONGRESS TAKE PRECEDENCE
OVER PROGRAMS FUNDED WITHOUT APPROPRIATIONS. WE ARE
ASSURED THAT BOTH LIBRARY OF CONGRESS AND FBO ARE WORKING
TO OBTAIN NECESSARY CONGRESSIONAL AUTHORITY TO USE NON-
PL-480 RUPEES BEGINNING WITH FY 75 AND 76 RESPECTIVELY.
RUSH

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